

Exhibit 15

Carabini Testimony

1 UNITED STATES
2 COMMODITY FUTURES TRADING COMMISSION
3

4 In Re:)
5)
6 Certain Persons Engaging in)
Unlawful Retail Commodity)
7 Transactions)
8)
9)
10)
11)
12)
13)
14)
15)
16)
17)
18)
19)
20)
21)
22)
23)
24)
25)

Sworn Testimony of MICHAEL CARABINI, taken on
behalf of United States Commodity Futures Trading
Commission, at 444 Flower Street, Suite 900, Los
Angeles, California, beginning at 9:12 a.m. and ending
at 2:40 p.m. on Thursday, March 5, 2015, before ROCHELLE
HOLMES, Certified Shorthand Reporter No. 9482, Certified
Realtime Reporter No. 0123.

1 APPEARANCES:

2
3 FOR UNITED STATES COMMODITY FUTURES TRADING COMMISSION:

4 COMMODITY FUTURES TRADING COMMISSION

5 BY: CARLIN METZGER, ESQ.

6 JOSEPH A. KONIZESKI, ESQ.

7 525 West Monroe Street, Suite 1100

8 Chicago, Illinois 60661

9 (312) 596-0546

10 jkonizeski@cftc.gov

11 cmetzger@cftc.gov

12
13 FOR THE WITNESS:

14 FARELLA BRAUN & MARTEL LLP

15 BY: NEIL GOTEINER, ESQ.

16 235 Montgomery Street, 17th Floor

17 San Francisco, California 94104

18 (415) 954-4400

19 ngoteiner@fbm.com

20
21 ALSO PRESENT:

22 GREG WALKER

1 MR. METZGER: Counsel, do you want to introduce
2 yourselves?

3 MR. GOTIENER: Neil Gotiener.

4 MR. WALKER: Greg Walker.

5 Q BY MR. METZGER: Okay. What is your current
6 role with Monex?

7 A My role, title, is president of Newport
8 Services and my role is to act as much of an operational
9 overseer of the operation of Monex Deposit Company and
10 Monex Credit Company and its affiliated companies.

11 Q Where is Monex or the Monex affiliated
12 companies located?

13 A 4910 Birch Street, Newport Beach.

14 Q I have also seen the address 4900. Is that the
15 same building?

16 A Yes, it is.

17 Q Do you know why there is two addresses?

18 A There would be two companies. My belief is the
19 4900 is used for Monaco Financial LLC and possibly some
20 other affiliated companies.

21 Q You mentioned -- let me ask a different
22 question. In your role as the president of Newport
23 Services, are you the person with essentially the final
24 say for the Monex affiliated companies on a day-to-day
25 basis?

1 A Yes, I think that's a fair statement.

2 Q Let's walk through some of the companies just
3 so we can try to be clear about what they are and what
4 your role is. You mentioned Newport Services. Can you
5 describe what that company does?

6 A Newport Services Corporation provides financial
7 administrative services which would include computers,
8 facility management, all types of managerial efforts for
9 the affiliated companies.

10 Q For what companies does Newport Services
11 provide these services?

12 A Monex Deposit Company, Monex Credit Company,
13 their general partners, Comco, Metco Management
14 Corporations, Monaco Financial LLC, Secured Credit
15 Corporation, Concord Funding Company, Concord Management
16 Corporation, I think it is, I might have that spelled
17 incorrectly or not precise, but it's the general manager
18 for Concord Funding. I think that's all of them.

19 Q Are the operations for these Monex-affiliated
20 entities, to the extent they have operations, are they
21 all located and operated out of the Monex office at 4910
22 Birch?

23 A Yes.

24 Q So Monex Deposit Company. Describe for us
25 generally what Monex Deposit Company does.

1 A Monex Deposit Company makes a market in
2 precious metals, bullion coins, both from a retail point
3 of view offering its bid and ask prices, but also buying
4 and selling in the wholesale markets.

5 Q Who owns Monex Deposit Company?

6 A Monex Deposit Company is owned partly by
7 general partner Comco Management Corporation, two
8 trusts, Emerson is the name of one trust, Montgomery is
9 another trust. I think I might have personally some
10 ownership and then minor owners. I think there is an
11 officer that has a minor ownership. I think that covers
12 it. I think there is two officers that have minor
13 ownership.

14 Q You mentioned Comco Management Corp. What is
15 Comco Management Corp?

16 A Comco Management Corp acts as the general
17 partner for Monex Deposit Company.

18 Q Does Comco have any day-to-day operations?

19 A Yes. It operates as the general partner for
20 Monex Deposit Company.

21 Q What does it do?

22 A If there is any agreements to be signed by the
23 partnership, then Comco management would execute those
24 contracts. It would employ, I guess, by its president
25 would have direct control over the limited partnership.

1 I believe it also employs the vice president.

2 Q Who are they?

3 A President is Louis Carabini, vice president is
4 Mike Maroney.

5 Q So who signs, physically signs the agreements
6 for Comco Management?

7 A Typically Louis Carabini.

8 Q Louis Carabini is your father?

9 A He is.

10 Q Who owns Comco Management?

11 A I do.

12 Q Do you have any official title with respect to
13 Comco?

14 A No.

15 Q You mentioned that Montgomery Trust and Emerson
16 Trusts also have some ownership interest in Monex
17 Deposit Company. Did I get that right?

18 A You did.

19 Q Do you have an interest in the Montgomery Trust
20 and Emerson Trust?

21 A Yes.

22 Q Can you describe generally what that interest
23 is?

24 A I'm a beneficiary.

25 Q Are you the trustee?

1 A Yes.

2 Q What I'm trying to get at with these questions,
3 I think you probably know, is who owns and controls
4 Monex Deposit Company. Would that be you?

5 A Well, yes, the general partner would have
6 control. And like I said, I'm the shareholder, the sole
7 shareholder of the general partner, so I would have
8 control, ultimate control, I would say, of Monex Deposit
9 Company.

10 Q Besides the two officers you mentioned, Louis
11 Carabini and Michael Maroney, are there any other
12 officers or employees of Comco Management that you are
13 aware of?

14 A Not that I can recall at this time.

15 Q Do you know whether your father, Louis
16 Carabini, or Michael Maroney get a salary from Comco
17 Management?

18 A I don't recall.

19 Q Do you know whether they are compensated in any
20 way for their work that they do for Comco Management?

21 A I don't know.

22 Q Does Monex Deposit Company have any employees?

23 A Yes.

24 Q What categories of employees does Monex Deposit
25 Company have?

1 A Monex Deposit Company has account
2 representatives, research assistants, I think a sales
3 manager.

4 Q What is Mike Maroney's role with Monex, the
5 Monex companies?

6 A Mike Maroney is the vice president of sales.

7 Q Is there a president of sales?

8 A No.

9 Q So he is a vice president in charge of sales?

10 A Correct. Of Monex Deposit Company. And I
11 believe his business card or on paper he is the vice
12 president of Comco Management Corp.

13 Q The categories of employees you mentioned,
14 including account representatives for Monex, are they
15 paid by Monex Deposit Company?

16 A Yes.

17 Q As a practical matter, is the payroll services
18 provided by the Newport Services entity?

19 A That's correct.

20 Q Can you describe in general what Monex Credit
21 Company does?

22 A Yes. Monex Credit Company provided a licensed
23 California lender and it provides financing for precious
24 metals transactions or, I guess, financing on precious
25 metals.

1 Q Who does it provide that financing to?

2 A Its customers.

3 Q What is the financing used for?

4 A For precious metals, for either purchasing
5 precious metals or, I guess, if a customer has charges
6 or interest that the customer does not want to remit,
7 then Monex Credit Company could advance funds for that.

8 Q Is the credit all related to transactions that
9 are conducted with Monex Deposit Company?

10 A Yes.

11 Q In other words, I'm wondering if Monex Credit
12 Company provides financing for any transactions that are
13 not done by customers with Monex Deposit Company?

14 A You can, but not generally speaking.

15 Q Has it ever?

16 A Probably.

17 Q Can you give me --

18 A For an example, if a customer has purchased,
19 say, gold coins from another dealer other than Monex
20 Deposit Company and sends them in for deposit and there
21 is sufficient collateral in the Monex Credit Company
22 customer's account, Monex Credit Company will advance
23 funds on that collateral.

24 Q Does Monex Credit Company provide financing to
25 your knowledge for transactions by customers with any

1 other metals dealer?

2 A I'm not sure I understand what you are saying.

3 Q Well, what I'm trying to understand is in terms
4 of like percentage of transactions for which Monex
5 Credit Company provides credit, what percentage of those
6 are related to Monex Deposit Company transactions?

7 A Generally, all.

8 Q So it would be a miniscule percentage of other
9 potential transactions?

10 A That's my understanding.

11 Q Who owns Monex Credit Company?

12 A It's owned by it's general partner Metco
13 Management Corporation. The two trusts, Amberwood and
14 Lemonwood, myself I think I have a personal interest in
15 the lender partnership and a minor interest of two
16 officers.

17 Q Do you know who the two officers are who have
18 minor interest?

19 A Yes.

20 Q Who are they?

21 A Ron Smoller and Brian Jenkins.

22 Q What is Ron Smoller's role with the Monex
23 companies?

24 A Ron Smoller is responsible for managing the
25 trading department and the functions of buying, selling

1 and setting prices.

2 Q What is Brian Jenkins' role with the Monex
3 companies?

4 A Brian Jenkins is the CFO of Newport Services,
5 oversees the finance department and also the computer
6 department.

7 Q Who owns Metco Management Corporation?

8 A I do.

9 Q Does Metco Management Corporation -- strike
10 that. Different question.

11 Can you describe the operations of Metco
12 Management Corporation? What does it do?

13 A Metco Management Corporation is the general
14 partner of Monex Credit Company.

15 Q In that capacity, does it have any active daily
16 operations?

17 A Well, it would be the company or entity that
18 would sign any agreements that Monex Credit Company as a
19 partnership would have to sign.

20 Q Who physically signs those agreements for Metco
21 Management Corporation?

22 A I do.

23 Q You also mentioned Lemonwood and Amberwood
24 Investments. Are they companies, first of all?

25 A No. They are trusts.

1 Q Are you the trustee of those trusts?

2 A Yes, I am.

3 Q Are you a beneficiary of those trusts?

4 A Yes.

5 Q Are you currently the decision maker for those
6 trusts in their capacity with respect to the ownership
7 and operations of Metco?

8 A Well, yes. I'm the trustee. It's a limited
9 partnership, so the general partner is responsible for
10 all the decisions.

11 Q So those two trusts are limited partners and
12 maintain some ownership interest in Metco in that
13 capacity?

14 A That is correct.

15 Q The decisions are made by the general partner
16 and you are the person that controls those decisions?

17 A That's correct.

18 Q Does Metco have any employees?

19 A Yes.

20 Q Who are they?

21 A Myself, Michael Carabini, and Brian Jenkins.

22 Q Does Brian Jenkins have a particular title with
23 Metco?

24 A Yes.

25 Q Do you know what that is?

1 A I'm not sure exactly. I believe I do, but my
2 best belief at this time is secretary.

3 Q Does Newport Service Corporation have
4 employees?

5 A Yes.

6 Q What are the general categories of employees of
7 Newport Service Corporation?

8 A A president, CFO, counsel, managers, mail
9 clerk, controller, traders, general administrative
10 manager, computer programmers, computer operators.
11 Might be missing some. Do you want me to keep thinking
12 or is that sufficient?

13 Q If there are any others, general categories?

14 A Advertising department. Clerical, clerks, and
15 secretaries or administrative assistants.

16 Q Approximately how many employees are there of
17 Newport Service Corporation?

18 A I would estimate about 75.

19 Q Approximately how many employees are there of
20 the Monex affiliated companies?

21 A I would estimate maybe 150. These are
22 estimations.

23 Q I understand. What is the role of the computer
24 programmers employed by Newport Service Corporation?

25 A Their role is to either modify or create

1 programs for all the services, all the computer services
2 that any of the affiliates require.

3 Q Who is the lead computer programmer for the
4 Monex companies?

5 A Well, Brian Jenkins acts as the officer in
6 charge of the department, and he himself does some
7 programming, but he is not really classified as a
8 programmer, per se, so he would have the ultimate
9 responsibility. And then reporting to him is a manager
10 of our department who is Daryl. Daryl.

11 Q Hamilton?

12 A Thank you. Daryl Hamilton is correct.

13 Q You mentioned counsel. Is that Greg Walker?

14 A Yes.

15 Q I have also seen an entity called Newport
16 Communications. Are you familiar with that entity?

17 A It's a -- I guess a DBA for Newport Service
18 Corporation. It's a company to represent when Newport
19 Service does any publishing or any I guess mostly
20 publishing or certain networking, that name is used.

21 Q Can you describe in general what types of
22 publishing or networking you are referring to?

23 A I think there has been some books published by
24 Monaco Financial. I don't know that anything -- I can't
25 recall if anything has been published for Monex Deposit

1 Company. I think a long time ago Monex Deposit Company
2 had a magazine and it may have been used for that. The
3 Monex Deposit Company and Monaco Financial at some
4 period of time were doing some networking with financial
5 advisors and that name was used for that.

6 Q Do you know whether Newport Communications or
7 Newport Services currently has any publication projects?

8 A Not that I'm aware of.

9 Q You mentioned Secured Credit Corporation. What
10 does Secured Credit Corporation do?

11 A Secured Credit Corporation is a California
12 licensed lender and it provides financing for Monaco
13 Financial transactions.

14 Q Who owns Secured Credit Corporation?

15 A I do.

16 Q What's your general role, duties or
17 responsibilities with Secured Credit Corporation on a
18 daily basis?

19 A I'm the president.

20 Q You mentioned Monaco Financial. What does
21 Monaco Financial do?

22 A It's a rare coin dealer. And it's also, it
23 goes by the name Monaco Rare Coins.

24 Q Who owns Monaco Financial?

25 A Myself, a trust that is the separate property

1 of my wife, Adam Crum, who is the vice president of
2 Monaco Rare Coins, Brian Jenkins, and Ron Smoller.

3 Q What is your role with Monaco?

4 A I'm the president of Monaco.

5 Q Does your wife have an operational role with
6 Monaco?

7 A No.

8 Q Are you the trustee of the trust through which
9 she has an ownership interest?

10 A Yes.

11 Q Is that the Victoria Investments?

12 A Yes, it is.

13 Q I have also seen Madison Investments. What is
14 that?

15 A That's my trust, revocable trust.

16 Q Are you the trustee of that trust?

17 A Yes.

18 Q What is Adam Crum's role with Monaco?

19 A His title is vice president of numismatics and
20 he runs the day by day operations.

21 Q Does Monaco offer finance accounts for the
22 purchase or sale of metals?

23 A To some extent, yes.

24 Q What are those accounts called?

25 A Precious metals, some include rare coins. Are

From: michael Carabini [mac@monex.com]
Sent: 8/18/2011 1:31:09 PM
To: Flannery, Chris [Christopher.J.Flannery@pjc.com]
CC: Brian Jenkins [bjenkins@monex.com]
Subject: draft 2

Monex Credit Company equity management systems incorporate continuous, real-time prices for each of the four precious metals markets in which the company operates. These systems include corresponding real-time updates of all customer equity positions. When a Monex customer's equity position falls below the forced sell level (currently 7% for all four metals but no less than 6% per the Concord Funding Note documents), whether this is at market open or at any other time during the trading day, that customer's account is automatically liquidated.

For more than six months, Monex has been using only their "Auto-Force-Sell system" batched portfolio-wide application, because it has proved to be more consistent and efficient (requiring no work by account rep) than the semi-automatic approach using an account rep to call to confirm orders. This system, which converts loan and price information into sell orders on a batch basis, enables Monex to liquidate its portfolio pool-wide in seconds. The system automatically books the liquidation orders to customer accounts based on metals sold, and applies the proceeds to the loan.

Thus, the exposure period is actually less than one day. Alternatively, the maximum exposure period is overnight in the case that the market opens low enough to put an account below forced sell level. While it is the case that this procedure is company policy and thus at company discretion, it does mean that company personnel do not have discretion to diverge from this procedure. Even during days or periods of high downside price volatility over the past 24 years of MCC existence, the company's policies and procedures have resulted in miniscule losses (previously provided). This is precisely because they ensure an exposure period of less than one trading day.

